

Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 /068 W
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R 071503Z AUG 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 3124
INFO EC COLLECTIVE
USMISSION GENEVA

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: NA
TAGS: EAGR EEC NL
SUBJECT: DUTCH VIEWS ON NON-GRAIN FEED INGREDIENTS

REF: TOFAS 524

1. SUMMARY: DURING PAST WEEK, AGATTACHE AND STAFF HAVE HELD CONTINUING DISCUSSIONS AT VARIOUS LEVELS WITHIN MINAG AND TRADE ON SUBJECT OF NON-GRAIN FEED INGREDIENTS. DUTCH CONCERN, THAT EC WILL BE TAKING ACTION FIRST TO RESTRICT IMPORTS OF WHEAT BY-PRODUCTS (REFTE) AND SUBSEQUENTLY AGAINST OTHER PRODUCTS, IS BECOMING INCREASINGLY EVIDENT. WHILE NOT OPENLY SOLICITING US SUPPORT, DUTCH SEEM PARTICULARLY ANXIOUS FOR US TO TAKE STRONG STANCE AGAINST EC ON THIS ISSUE. END SUMMARY.

2. AGATTACHE AND STAFF HAVE RECENTLY HELD SERIES OF MEETINGS/ DISCUSSIONS WITH NUMBER OF OFFICIALS INCLUDING DIRECTOR GENERAL FOR AGRICULTURE AND FOOD SUPPLIES (DE ZEEUW) AND CHAIRMAN OF CENTRAL PRODUCT BOARD FOR ARABLE CROPS
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(VAN BEUKERING) (PROTECT BOTH) AND TRADE ON SUBJECT OF NON-GRAIN FEED INGREDIENTS. ALL LEVELS OF MINAG AND PRODUCT BOARD EXPRESSED CONCERN AT POSSIBLE EC ACTIONS TO LIMIT IMPORTS OF THESE PRODUCTS. DUTCH FEEL THAT COMMISSION WILL ATTACK QUOTE PROBLEM UNQUOTE IN PIECE-MEAL FASHION, MOVING FIRST AGAINST LESS CONTROVERSIAL ITEMS (E.G., WHEAT BY-PRODUCTS) AND THEN ONE BY ONE

AGAINST THE OTHERS. DUTCH IMPLY THAT THEY ARE BECOMING INCREASINGLY ISOLATED WITHIN EC ON THIS ISSUE. ONE OFFICIAL TOLD US THAT NETHERLANDS' ONLY ALLY AT THIS TIME WAS UK WHICH COULD BE EXPECTED TO OPPOSE TRADE RESTRICTIONS ON THESE IMPORTS FOR SO CALLED PHILOSOPHICAL REASONS. OFFICIAL TOLD US CANDIDLY THAT IT IS QUOTE QUIITE UNCOMFORTABLE UNQUOTE TO BE IN ALLIANCE WITH UK AT THIS TIME ON CAP MATTERS.

3. ON WHEAT BY PRODUCTS (SEE REFEL FOR DETAILS), SOURCES TELL US THAT MATTER WAS RAISED IN COMMISSION BY GERMANS, WHICH THE DUTCH FOUND TO BE A SURPRISE. GERMANS ARGUED FOR LIMITATION OF WHEAT BY PRODUCT IMPORTS CITING DAMAGE TO EC MILLING INDUSTRIES. REPORTEDLY, THEY WERE TOLD THAT MATTER WAS UNDER STUDY. HOWEVER, DUTCH ARE NOT CLEAR WHETHER MATTER IS BEING STUDIED FROM STANDPOINT OF POTENTIAL HARM TO MILLING INDUSTRIES, OR AS PART OF A LARGER PROBLEM (I.E., THE ENTIRE SPECTRUM OF IMPORTED PRODUCTS THAT ARE REPLACING GRAINS IN FEED RATIONS).

4. DUTCH SAY ARGUMENTS THAT WHEAT BY PRODUCT IMPORTS ARE CAUSING SERIOUS PROBLEMS TO EC WHEAT MILLING INDUSTRY DO NOT HOLD WATER. THEIR VIEW (WITH WHICH WE AGREE) IS THAT THIS APPROACH IS SMOKE SCREEN TO FORCE THROUGH FIRST MEASURE WHICH WILL SET PRECEDENT FOR FUTURE ACTIONS AGAINST OTHER PRODUCTS. WHILE NOT OUTWARDLY SOLICITING LIMITED OFFICIAL USE

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SUPPORT, OFFICIALS LEFT US WITH VERY CLEAR IMPRESSION THAT AN AGGRESSIVE STANCE BY FEEDSTUFF EXPORTERS, ESPECIALLY THE US, IS PERHAPS ONLY WAY THAT IMPORT RESTRAINTS WILL BE AVOIDED. CANADIAN EMBASSY HAS MADE FORMAL DEMARCHE TO MINAG ON THIS ISSUE.

5. MINAG OFFICIALS WILL PROBABLY OPPOSE ANY ACTION TO RESTRICT BY PRODUCT IMPORTS AT SEPTEMBER MANAGEMENT COMMITTEE MEETING. WE DO NOT FEEL, HOWEVER, THAT DUTCH WILL PUSH HARD ON THIS ISSUE IF THEY ARE ISOLATED. THEY WOULD PROBABLY MAKE A TACTICAL RETREAT AT THIS TIME RATHER THAN RISK INTENSE CRITICISM BY OTHER COUNTRIES, PARTICULARLY FRANCE, IN TWO AREAS OF MORE DIRECT CONCERN TO THEM--DAIRY AND PIGMEAT. THE NETHERLANDS IS COMING UNDER SEVERE PRESSURE WITH REGARD TO THE AGE OLD ARGUMENT THAT QUOTE EXCESSIVE UNQUOTE USE OF INEXPENSIVE FEEDSTUFFS IS

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PASS AGRICULTURE ELECTRONICALLY

AGGRAVATING DAIRY SURPLUSES AND CAUSING QUOTE
DISTORTIONS UNQUOTE IN EC IGMEAT TRADE.

6. DAIRY IS BY FAR THE NUMBER ONE AGRICULTURAL PROBLEM
IN THE NETHERLANDS AND THE DUTCH ARE EXTREMELY SENSITIVE
TO EC PRESSURES TO DO SOMETHING ABOUT THE EVER GROWING
SURPLUSES. WHILE SURPRISINGLY PRAGMATIC ON MOST
AGRICULTURAL ISSUES, THE DUTCH CAN BE EXPECTED TO TAKE
VIRTUALLY ANY ACTION TO AVOID HARM (WHETHER REAL OR
IMAGINED) TO THEIR DAIRY INDUSTRY. THERE IS NO REAL
LINK BETWEEN NON-GRAIN INGREDIENTS AND THE DUTCH (AND EC)
DAIRY PROBLEM. BUT THOSE COUNTRIES THAT ARE BEING HURT
BY THE FEEDSTUFF IMPORTS (NOTIABLY FRANCE) WILL TRY TO
MAKE THE LINK AND THE DUTCH MAKE IT CLEAR THAT THEY ARE
PREPARED TO MAKE QUOTE CONCESSIONS UNQUOTE WITH REGARD
TO THESE PRODUCTS TO KEEP PRESSURE OFF DAIRY PRODUCTS.

7. THERE IS A MORE DIRECT LINK BETWEEN GRAIN SUBSTITUTES
AND PIGMEAT. THE DUTCH HAVE BEEN THE LEADER IN THE EC
AT REPLACING HIGH PRICED GRAINS (BECAUSE OF THE VARIABLE
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LEVY) WITH OTHER PRODUCTS ON WHICH IMPORT DUTIES ARE
LESS SEVERE. THIS, PLUS TRANSPORTATION ADVANTAGES,
MANAGERIAL EXPERTISE AND A HIGHLY DEVELOPED FEED COMPOUND-
ING INDUSTRY, HAVE ENABLED THE DUTCH TO MAINTAIN A
RELATIVELY STRONG COMPETITIVE POSITION IN EC PIGMEAT

MARKETS. THE DUTCH WANT TO MAINTAIN THIS COMPETITIVE POSITIVE BY KEEPING FEEDSTUFF IMPORTS AS FREE AS POSSIBLE. BUT THEY ARE UNDER INCREASING DOUBLE EDGED PRESSURE FROM FRANCE BECAUSE 1) THESE IMPORTED FEED INGREDIENTS ARE DISPLACING (FRENCH) GRAINS IN FEED RATIONS AND 2) DUTCH PIGMEAT EXPORTS TO FRANCE ARE RAISING THE IRE OF THE FRENCH PIGMEAT INDUSTRY. THE RECENT DECREASE IN MCAS (MONETARY COMPENSATING AMOUNTS) HAS TEMPORARILY TAKEN THE HEAT OFF BUT THE DUTCH EXPECT CONTINUED PRESSURES IF EC NON GRAIN FEED INGREDIENT IMPORTS CONTINUE TO GROW AT THEIR PRESENT RATE.

8. ON TAPIOCA, THE DUTCH ARE DHOPING THAT MARKET FORCES WILL SOLVE THEIR PROBLEM. PRIVATELY THEY SAY THEY WOULD LIKE TO SEE SOME STRENGTHENING OF TAPIOCA PRICES-- JUST ENOUGH TO PREVENT FURTHER EXPANSION OF ITS USAGE IN OTHER EC COUNTRIES, PARTICULARLY UK, BUT NOT SO MUCH AS TO CAUSE REPLACEMNT OF TAPIOCA BY GRAINS IN THEIR OWN RATIONS. IN THIS WAY, THERE WOULD BE NO SIGNIFICANT EROSION OF THE DUTCH COMPETITIVE ADVANTAGE IN PIGMEANT TRADE.
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